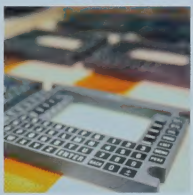


Glendale International Corp.

2001 annual report

Recreational Vehicles Review Glendale is the largest Canadian manufacturer of recreational vehicles. Its new lightweight, luxury fifth wheel, Titanium, propelled Division sales to well above industry average, as its U.S. dealer base grew by 50% and U.S. sales doubled. *Page 6*

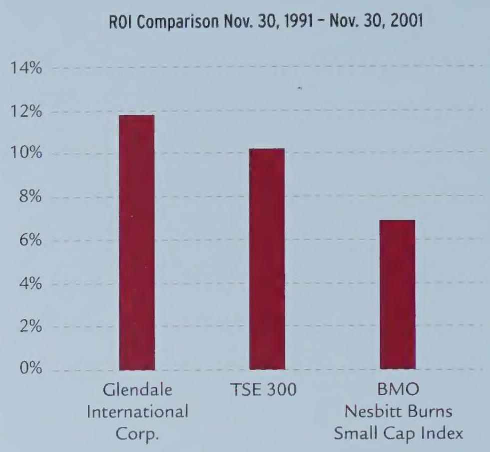
Nav Aids Review The Nav Aids Division comprises U.K. based Fernau Avionics, a leading supplier of ground-based air navigational aids. Fernau's revenues grew by 22%: $29 million in new contracts were signed, resulting in a strong 2001 and a healthy order book for 2002 and beyond. *Page 8*



Electronics Review The Corporation's electronics business operates under the Firan Technology Group, comprised of Precision, producer of complex printed circuit boards, and Edgelit, manufacturer of illuminated cockpit instrumentation panels. Precision's sales increased 27%, fuelled by increased military orders, while Edgelit rose to the challenges of the commercial aviation recession to record higher sales. *Page 10*

GLENDALE
International Corp.

About Glendale International Corp.



Founded in 1971, Glendale International Corp. is focused on three core operations that primarily serve the leisure, aerospace and industrial markets: recreational vehicles, navigational aids and electronics. The Corporation's principal business is the manufacture and sale of a broad range of high-quality recreational vehicles (RVs) under the Glendale and Travelaire brand names. With operations located in Strathroy, Ontario and Red Deer, Alberta, Glendale is the largest RV producer in the country, serving both the Canadian and U.S. markets.

The Corporation's Nav Aids business operates under Fernau Avionics, a major worldwide supplier of ground-based air navigational systems used in air traffic control. The Corporation also participates in the global electronics industry through Firan Technology Group, which encompasses two key businesses: Edgelit, which designs and manufactures illuminated cockpit instrumentation panels and beveled keyboards for the commercial aircraft industry; and Precision, which produces complex printed circuit boards for some of North America's largest military and electronics companies. Glendale also owns Quality Plastics, a specialty molding and extrusion business that serves the automotive, industrial and electronics industries.

The Corporation is headquartered in Oakville, Ontario, employs 700 people, and brings its products to market through an in-house sales force, independent dealers and a worldwide network of agents and distributors.

Financial Highlights

Years ended November 30 (in thousands of dollars except per share amounts)

	2001	2000
Sales	$ 151,210	$ 144,595
Earnings (Loss) from Continuing Operations	$ 3,010	$ (5,842)
Basic Earnings (Loss) Per Share from Continuing Operations	$ 0.25	$ (0.48)
Net Earnings from Discontinued Operations	$ -	$ 1,000
Net Earnings (Loss)	$ 3,010	$ (4,842)
Diluted Net Earnings (Loss) Per Share	$ 0.24	$ (0.39)

Chairman's Letter to Shareholders

The past year was a positive one for Glendale International Corp. The Corporation achieved solid results in a challenging economic environment, improving its performance over last year and outperforming the industry in a number of our businesses.

Total revenue in 2001 was $151.2 million, a 4.6% increase over 2000. Operating earnings were $5.6 million compared with $1.8 million last year, and net earnings were $3.0 million, compared with a net loss from continuing operations of $5.8 million the previous year.

We took decisive steps this year to secure the future of our diverse businesses. These included further enhancements to our product line-up to capture an even greater share of the U.S. market in the Recreational Vehicles Division, putting our Nav Aids Division on a solid footing for sustainable earnings, and repositioning the Electronics Division to capitalize on our most promising customer segments.

Last year I asked Ed Hanna to succeed me as President and Chief Executive Officer of Glendale, while I retained the role of Chairman of the Board. His experience as President and CEO of our former subsidiary, Denro Inc., has established Mr. Hanna as an insightful, involved leader, and the right person to guide Glendale's strategic direction. I commend Mr. Hanna for his strong management, and extend my thanks to the management team and employees for this year's performance.

Glendale made many strides in 2001, making targeted adjustments to operations where needed, and remaining focused on the future. I have the utmost confidence that the Corporation is well positioned for continued growth and that we have the right team in place to ensure maximum shareholder value.

D. Morgan Firestone

D. Morgan Firestone
Chairman of the Board

President's Letter to Shareholders

2001 was a very good year for Glendale International Corp. In a climate in which many sectors experienced severe downturns, Glendale outperformed industry experience and improved sales in the majority of our Divisions. Highlights of the year included: the continued strength of our Recreational Vehicles Division; the impressive turnaround of Fernau Avionics; and the solid sales performance of our Electronics Division.

These factors were key contributors to our strong financial results outlined in the Chairman's letter. In addition, we ended the year with a strong balance sheet. Our cash position improved dramatically, with bank debt of $1.4 million, compared with a net bank debt of $12 million in 2000.

We achieved these results in the face of a tough economy and some critical operating and management challenges: issues that we addressed decisively and effectively to position the Corporation for an even stronger future. Following is a brief overview of key operating highlights.

Recreational Vehicles

The enduring strength of our Recreational Vehicles (RV) Division was clearly evident last year. The Division recorded revenue of $102.3 million, doubling sales in the critical U.S. market. While sales were virtually level with last year, the group outperformed the industry, which experienced a 15% decline in sales from 2000.

Our ability to weather the industry downturn was due, in great part, to the 2000 introduction of Titanium, which cemented relationships with many new U.S. dealers. More than just fortuitous timing, our introduction of Titanium was strategic: the product was developed in direct response to consumer demand. We're ensuring Titanium's continued competitiveness through patent applications and further product innovations.

Nav Aids

Fernau Avionics, our Nav Aids business, reaffirmed its position as one of the world's leading providers of ground-based air navigational systems, recording sales of $18.5 million and operating earnings of $0.6 million compared with a loss of $3.5 million in 2000.

Following a very difficult year in 2000, we implemented a management change, secured new customers, reduced operating costs, improved margins and embarked on a product development program for sustained growth and profitability. These initiatives paid off, yielding excellent results for the current year, and an $18 million backlog of contracts for 2002 and beyond.

Electronics

Glendale's Electronics Division – Firan Technology Group – posted revenues of $27.7 million, an impressive 23% improvement over 2000, reflecting increases from its two main businesses, Precision and Edgelit.

In an extremely poor year for printed circuit board manufacturers, Precision increased sales by 27%, benefiting from a primarily military customer base. Looking ahead, the consolidation that occurred in this industry in 2001 holds increased prospects for the surviving players.

Despite the dramatic downturn in the commercial aviation industry, Edgelit achieved modestly higher sales, which increased from $6.9 million to $7.4 million. Given the decline in this industry, our goal in 2002 is to maintain current revenue levels.

The performance of Quantaflex, a manufacturer of electro-luminescent lamps that was acquired in January 2001, did not live up to initial expectations. We took decisive action to curtail losses and wrote off all costs associated with the acquisition. We have since integrated the technology – one that continues to present potential value – into Edgelit.

Plastics

Quality Plastics experienced a challenging year, given the downturn in the auto industry. While sales declined, the business remained profitable.

There's Strength in Our Future

From a corporate perspective, management's role is to provide financial and strategic oversight, contribute to the strength and growth of our businesses and – ultimately – enhance shareholder value. We continue to maximize the business opportunities of each group, while pursuing other activities to ensure the full value of Glendale is reflected in the share price.

Looking ahead, key goals include: further strengthening our RV business by enhancing products and continuing to expand our dealer network; exploring new product development at Fernau, as well as potential opportunities to capitalize on the Division's engineering capabilities; and further focusing on our core strengths in the Electronics business.

We will also focus on our stock price: while we're pleased with the performance over the past year (a trend that was continuing at the beginning of the new fiscal year) we believe it does not yet represent the true value of the Corporation. We will thus dedicate increased energies to telling the Glendale story to potential investors.

In closing, 2001 was a challenging but positive year for Glendale. I extend my thanks to Glendale's board of directors, employees, shareholders and customers and look forward to an even more rewarding year ahead.

Edward C Hanna

Edward C. Hanna
President and Chief Executive Officer

Recreational Vehicles Review

The successful launch of Titanium and resulting expansion of our U.S. business allow the RV Division to outperform most North American manufacturers

Engineers constantly refine design features of our RVs at our Strathroy, Ontario plant.

The Division's sales are well above industry average – the result of growing dealer and customer support for Titanium, our luxury fifth wheel product

U.S. sales double as we increase our U.S. dealer base by 50%

Our growing share in the critical U.S. markets positions us well for another solid sales performance in 2002

Titanium features a unique front cap extending over the cab area of the tow vehicle, permitting more of the RV interior layout to be positioned over the truck.

Employees at our plant in Strathroy, Ontario apply their skills to produce Glendale RV's popular line of recreational vehicles.

As 2000 closed and 2001 began, the RV industry in general was facing a marked downturn: high gasoline prices and economic uncertainty affected the entire industry. Against this very challenging backdrop, our RV Division – operating through Glendale RV and Travelaire – outperformed the industry, which suffered a 15% decline in sales. Sales for the year were $102.3 million, virtually level with the previous year.

In 2001 we delivered on our strategy to grow the RV business by expanding our dealer network in the U.S. and capturing a larger share of this market. The late 2000 introduction of our luxury fifth wheel product, Titanium – unveiled at the RV industry's Wholesale Trade Show in November 2000 – allowed us to double our U.S. sales. At the same show in November 2001, we signed 19 new U.S. dealers, a 50% increase: the positive impact that this expanded base will have in 2002 is already evident. In Canada, our sales were lower, reflecting the general market softness.

Titanium: a New Class of RV

Titanium is the right product for the times. It answers consumer demand for a lighter weight, luxury product that's more fuel-efficient, handles well, is easier to tow and doesn't sacrifice space or comfort. Titanium is backed by high levels of dealer service – a strategy that has enabled the RV Division to build and maintain a loyal dealer network.

Titanium features a streamlined design that reduces drag and improves road handling. The use of lightweight composite materials decreases the overall weight of the RV, providing a wider choice of tow vehicles. Road tests and driver testimonials have validated this approach, demonstrating reduced tow vehicle fuel consumption and improved handling and stability. In the 2002 model, further enhancements to Titanium included a domed ceiling that creates a more spacious feeling without affecting wind resistance.

In the coming year, we'll be launching another industry first across the RV line-up, with a new aircraft-style entrance step that can be positioned over the wheels. This design removes the interior layout limitations posed by traditional entrances, and will allow us to introduce innovative new floor plans well ahead of our competitors. We are also introducing a new Titanium travel trailer that responds to consumer demand across the industry for better exterior storage. Re-designing the chassis will allow us to provide generous exterior storage compartments with "bus-style" access. In the coming year we'll also be introducing unique new floor plans in our park models.

Outlook

The year ahead bodes well for our RV Division. Indications of economic recovery coupled with our wider geographic distribution and product enhancements strengthen our competitive position. These factors will enable us to maintain sales performance in a similar economy, and improve sales in a rebounding economy.

Nav Aids Review

Fernau Avionics returns to profitability in 2001, a remarkable turnaround accomplished through a new management team, cost containment, new customers and product development for future growth

Revenues are 22% higher in 2001 and operating earnings improve significantly over 2000

Substantial contracts are signed with new customers, including a major deal with Belgian air traffic control company, Belgocontrol

Fernau books $29 million of new business during the year, which will have a positive impact on results in 2002 and beyond

A strong, highly experienced management team is put in place

Substantial contracts are signed with new customers, including a major deal with Belgian air traffic control company, Belgocontrol.

Distance Measuring Equipment is technologically advanced and adaptable to several configurations.

Fernau Avionics new Managing Director, Kevin Kearns (L) and Ed Hanna, Glendale President and Chief Executive Officer.

The turnaround of Fernau Avionics Limited (our Nav Aids Division) is a significant success story for Glendale. At year-end, sales were $18.5 million, 22% higher than 2001. Operating earnings were $0.6 million compared with a loss of $3.5 million the previous year. New business worth $29 million was booked during the year, including a major contract with a Belgian air traffic control company, and a healthy backlog was established for 2002.

The Nav Aids Division entered the year with significant challenges. In the previous year, Fernau's sales had declined and a substantial operating loss in 2000 prompted changes late in the year. Under the leadership of a new Managing Director, Kevin Kearns, the Division focused its energies on new business, product development and cost reductions.

Throughout the year, this strategy paid significant dividends. New orders were won from a variety of countries, and margins on those sales demonstrated consistent profitability. Mr. Kearns' engineering background and track record for guiding successful turnarounds position him ideally to manage Fernau's continued vitality.

Belgian Contract Indicative of Leadership

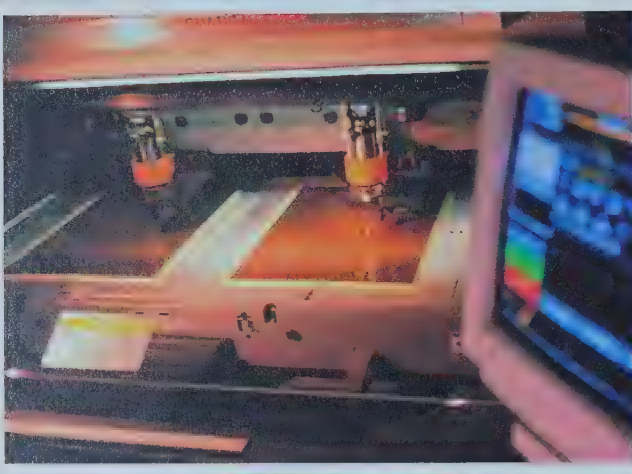
In the third quarter, Fernau won a major contract to supply a direction finding system for Belgium's Belgocontrol. Under the contract, Fernau will design, build and install the system, which automatically locates the position of aircraft in emergency situations. The system is scheduled to be operational in 2003 and will cover the whole of Belgium. It is comprised of eight large-scale remote installations capable of locating both civil and military aircraft. This contract is representative of Fernau's rapid re-establishment as an international leader in ground-based air navigational aids.

Outlook

With a return to profitability at Fernau and an already healthy order book for 2002, the Nav Aids Division is well positioned for sustained earnings and growth. Our ground-based air navigational aids are required in a broad cross-section of industries and – even as industries move increasingly toward Global Positioning System (GPS) technology – our technology will persevere as a necessary back-up system, ensuring a continued market for our products. As we look to 2002, we will be focusing on new product development and potential strategic partnerships to complement Fernau's technology and strengthen our presence in key markets.

Electronics Review

Revenues in the Electronics Division rise 23% driven by an increase in orders from U.S. military suppliers for Precision's printed circuit boards



FTG secured a number of new contracts with military suppliers, including Rockwell Collins and Smith Industries.

Precision's high quality products and workmanship lead to record sales.

Firan Technology Group is formed in early 2001 to integrate Edgelit and Precision

Precision posts a 27% increase in sales, fuelled by increased military orders

Edgelit rises to the challenges of recession in the commercial aviation sector and records higher sales for the year

The sales momentum established by Precision in 2000 continued in 2001 with significant orders from new and existing customers. Edgelit also recorded higher sales, despite the impact of the recession on the commercial aviation sector. Revenues were $27.7 million in 2001, 23% higher than the previous year. Operating earnings were $1.5 million compared with $1.7 million in 2000, reflecting start-up costs incurred at Quantaflex.

Precision Increases Sales

Precision posted a 27% increase in sales during 2001 following a 69% improvement the previous year. These results were accomplished in an extremely difficult year for the industry. The improvement in sales was evident even in the first half of the year before an unexpected increase in orders from the military sector following the events of September 11, 2001.

Although the economic slowdown has affected a number of Precision's markets, it has benefited from a growing reputation for quality and customer service. This resulted in new orders from such key customers as Smith Industries, Rockwell Collins and BAE Systems. In the military sector, the Division has established market credibility for its ability to execute orders based on complex, high-tolerance military specifications.

Edgelit Secures New Contracts

Sales for Edgelit were 8% ahead of the previous year, a commendable performance given the widespread reductions in aircraft manufacture. Despite the decline in some commercial orders, Edgelit secured a number of new contracts with military and commercial suppliers, including Rockwell Collins and Smith Industries. The Division will focus its efforts on further developing its military business in the coming year.

Quantaflex Integrated into Edgelit

Quantaflex was acquired in early 2001, with the objective of applying its electro-luminescent lamp technology to Edgelit's illuminated display panels. When development efforts did not yield a product that met the needs of potential customers, management took decisive action to curtail losses. The technology and operations of Quantaflex have now been integrated into Edgelit, where further product research will take place in 2002.

Outlook

The Electronics Division expects continuing benefit from increased spending in the military sector. In addition, Precision will be even more favourably positioned in an industry that underwent significant consolidation in 2001. While it may be some time before the commercial aviation sector rebounds to its previous levels, both Precision and Edgelit will pursue new opportunities in areas where their expertise and reputation provide ready access to new markets.

State-of-the-art technology ensures FTG's competitive position.

Plastics Review

Quality Plastics, a custom injection molder and extruder, remains profitable but experiences a decline in revenue for the year

Quality Plastics produces a wide variety of products for a broad range of industries, including automotive manufacturers. Sales revenue for 2001 was $2.8 million compared with $3.6 million in 2000, a decline attributed to the substantial production cutbacks in the automotive industry. The Division however, remained profitable and has adjusted its operations to the reduced volume by controlling overheads and seeking new customers for its custom products.

Quality Plastics produces a wide variety of products for a broad range of industries, including automotive manufacturers.

Management's Report

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgements, have been properly reflected in the financial statements. The Corporation's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. The financial information throughout the text of this Annual Report is consistent with the information presented in the financial statements.

The Board of Directors has appointed an Audit Committee consisting of two outside directors. The Committee meets periodically to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Corporation's annual consolidated financial statements and recommends its approval to the Board of Directors.

These financial statements have been audited by Deloitte & Touche LLP, the external auditors, on behalf of the shareholders. Deloitte & Touche LLP has full and free access to the Audit Committee.

Edward C. Hanna

Edward C. Hanna
President and Chief Executive Officer

Murray L. Hannan
Vice President, Chief Financial Officer and Secretary

Auditors' Report

To the Shareholders of Glendale International Corp.

We have audited the consolidated balance sheets of Glendale International Corp. as at November 30, 2001 and 2000 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at November 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario
January 18, 2002

Consolidated Balance Sheets

November 30, 2001 and 2000 (in thousands of dollars)

	2001	2000
Current Assets		
Cash and cash equivalents	$ -	$ 6,039
Accounts receivable	24,769	21,053
Income taxes recoverable	-	1,815
Inventories (Note 5)	13,081	17,381
Deposits and prepaid expenses	746	747
Due from shareholders	655	682
Future income taxes (Note 11)	561	573
	39,812	48,290
Property, Plant and Equipment (net) (Note 6)	15,820	16,811
	$ 55,632	$ 65,101
Current Liabilities		
Bank indebtedness (Note 7)	$ 1,363	$ 18,164
Accounts payable and accrued liabilities	21,636	19,214
Income taxes payable	231	-
Current portion of long-term debt (Note 8)	1,900	1,000
Current portion of capital leases (Note 9)	48	247
	25,178	38,625
Long-Term Debt (Note 8)	6,950	4,350
Capital Leases (Note 9)	155	121
Future Income Taxes (Note 11)	3,144	3,583
	35,427	46,679
Shareholders' Equity		
Share capital (Note 10)	21,489	21,489
Cumulative translation adjustment	146	146
Deficit	(1,430)	(3,213)
	20,205	18,422
	$ 55,632	$ 65,101

Approved by the Board

D. Morgan Firestone

D. Morgan Firestone, Director

Edward C Hanna

Edward C. Hanna, Director

Consolidated Statements of Earnings

Years Ended November 30, 2001 and 2000 (in thousands of dollars except per share amounts)

	2001	2000
Sales	$ 151,210	$ 144,595
Costs and Expenses		
Manufacturing, selling and administration	141,364	139,408
Depreciation and amortization	2,884	2,893
Research and development	1,387	522
	145,635	142,823
Operating Earnings	5,575	1,772
Other Income (Expenses)		
Interest income	1,291	948
Interest – long-term debt	(333)	(419)
– short-term debt	(876)	(1,299)
Write-down of intangible assets (Note 3)	(490)	(6,224)
	(408)	(6,994)
Earnings (Loss) Before Income Taxes and Discontinued Operations	5,167	(5,222)
Provision for Income Taxes (Note 11)	2,157	620
Net Earnings (Loss) From Continuing Operations	3,010	(5,842)
Net Earnings From Discontinued Operations (Note 4)	-	1,000
Net Earnings (Loss)	$ 3,010	$ (4,842)
Basic Earnings (Loss) per Share From Continuing Operations	$ 0.25	$ (0.48)
Basic Net Earnings (Loss) per Share	$ 0.25	$ (0.39)
Diluted Net Earnings (Loss) per Share	$ 0.24	$ (0.39)

Consolidated Statements of Deficit

Years Ended November 30, 2001 and 2000 (in thousands of dollars)

	2001	2000
(Deficit) Retained Earnings, Beginning of Year	$ (3,213)	$ 3,162
Net Earnings (Loss)	3,010	(4,842)
	(203)	(1,680)
Dividends	(1,227)	(1,533)
(Deficit), End of Year	$ (1,430)	$ (3,213)

Consolidated Statements of Cash Flows

Years Ended November 30, 2001 and 2000 (in thousands of dollars)

	2001	2000
Operating Activities		
Net earnings (loss) from continuing operations	$ 3,010	$ (5,842)
Items not affecting cash		
Depreciation and amortization	2,884	2,893
Gain on sale of property, plant and equipment	(21)	(23)
Future income taxes	(427)	175
Write-down of intangible assets (Note 3)	490	6,224
Changes in non-cash operating items (Note 15)	5,053	(12,576)
	10,989	(9,149)
Investing Activities		
Purchase of property, plant and equipment	(2,262)	(4,501)
Acquisitions	(100)	(970)
Proceeds on sale of property, plant and equipment	-	73
	(2,362)	(5,398)
Financing Activities		
Repayment of long-term debt	(1,000)	(1,000)
Proceeds from long-term debt	4,500	1,000
Repayment of operating loans	(16,801)	-
Proceeds from operating loans	-	2,268
Repayment of capital leases	(165)	(560)
Dividends paid	(1,227)	(3,066)
Due from shareholders	27	36
	(14,666)	(1,322)
Net Cash Flow	(6,039)	(15,869)
Cash and Cash Equivalents, Beginning of Year	6,039	21,908
Cash and Cash Equivalents, End of Year	$ -	$ 6,039
Supplemental disclosures of cash flows:		
Payments for interest	752	1,100
Payments for income taxes	991	3,602
Refunds for income taxes	2,576	-
Acquisition of intangible assets financed by promissory notes	500	-

Management's Discussion and Analysis

Consolidated Financial Statements

On January 26, 2001, Firan Technology Group, a wholly owned subsidiary of the Corporation, purchased certain assets of Quantaflex Canada, a company in the electro-luminescent lamp business for $100,000 cash and promissory notes for $500,000 payable over five years. On November 30, 2001, because of operating losses and less than anticipated value of the license agreement, the Corporation wrote off the unamortized balance of intangible assets and acquisition costs associated with the purchase.

The Corporation paid a common share dividend of $0.10 per share on June 5, 2001.

Pursuant to the sale of Denro on February 26, 1999 various purchase price disputes arising between the parties were resolved by an arbitrator in his report dated September 28, 2000. The purchaser, on October 31, 2000 advised the Corporation they had filed a new claim for damages in the amount of U.S. $20 million arising from the purchase and that they had referred the matter to arbitration. Management disputes the purchasers' allegations and strongly believes that the Corporation's position will be upheld. There have been no new developments relating to this claim during the fiscal year 2001.

Results of Operations

Sales for the Corporation increased to $151,210,000 for the fiscal year 2001 from $144,595,000 for the year 2000, an increase of 4.6%. Nav Aids and Electronics provided the increase in sales while Recreational Vehicles were off slightly during the year. Operating earnings increased to $5,575,000 in 2001 from $1,772,000 in 2000 due to the turnaround in Nav Aids.

Net earnings for the year ending November 30, 2001 were $3,010,000 or $0.24 per share compared to a loss of $4,842,000 or $0.39 per share in 2000. While Nav Aids improved the net earnings line in 2001, two non-operating items impacted the comparable results in 2000. The write-down of intangible assets with respect to Nav Aids amounted to $6,224,000 and the recovery of $1,000,000 from discontinued operations in Electronics reduced net earnings in the year 2000 by $5,224,000.

Recreational Vehicles sales declined less than 1% from $103,274,000 in 2000 to $102,257,000 in 2001 and earnings, including interest, remained relatively flat; $7,638,000 in 2000 and $7,608,000 in 2001. The slowing economy and higher fuel prices at the beginning of the year affected the overall Recreational Vehicle industry, however through new product designs and increased sales to the U.S., Glendale was able to outperform the industry.

Nav Aids sales increased to $18,486,000 in 2001 compared to $15,110,000 in 2000 up 22% and earnings, including interest, increased to $74,000 compared to a loss, including interest, of $4,027,000 in 2000. Several large contract awards contributed to the sales increase, and as previously reported, improved cost containment and better margins on contracts won contributed to the turnaround.

Electronics sales were up 23% to $27,697,000 in 2001 compared to $22,603,000 in 2000. The increase was due primarily to the increase at Precision as a result of new orders from established military customers and an increase in the customer base. Earnings from continuing operations, including interest, declined to $1,008,000 from $1,466,000 due to losses and the write-off of acquisition costs and intangible assets relating to Quantaflex. This more than offset the gains at Precision. Edgelit's operating earnings, including interest, remained relatively flat in 2001 compared to 2000, because of the slowdown in manufacturing in the commercial aircraft manufacturing industry.

Manufacturing, selling and administration as a percentage of sales decreased to 93.5% in 2001 compared to 96.4% in 2000. The decrease was due to the improved performance of Nav Aids and Precision. Interest costs went down to $1,209,000 in 2001 compared to $1,718,000 in the previous year due to lower bank loans and lower interest rates.

The Corporation had interest income of $1,291,000 in 2001 compared to $948,000 in 2000. Interest income in 2001 included $1,111,000 received from the U.S. tax authorities on a tax refund.

Research and development costs increased to $1,387,000 in 2001 compared to $522,000 in 2000. This increase includes a $508,000 increase at Fernau

plus the cost, in the Electronics group, relating to the development of new products at Quantaflex.

Changes in Cash Resources – 2001 Compared to 2000

The Corporation showed considerable improvement in this area in 2001. Earnings of $3,010,000 from continuing operations in 2001 compared to a loss of $5,842,000 for the year 2000 were recorded. After payment of dividends, taxes and capital expenditures the Corporation's cash position showed net bank indebtedness of $1,363,000 at November 30, 2001 compared to $12,125,000 at the end of year 2000. The positive change in cash is attributed to cash from operations, changes in non-cash items of working capital and the previously mentioned tax refund, including interest, of $3,687,000. Also, the Corporation was able to restructure the Nav Aids debt due to a major Canadian bank, by moving $4,000,000 from current bank debt to long-term debt, payable in equal monthly installments over a five-year period. Depreciation and amortization remained the same at approximately $2,900,000 for the years ending in 2001 and 2000.

Investing activities were $2,362,000 in 2001 compared to $5,398,000 in 2000. Investing activities were at a relatively normal level in 2001 while the year 2000 included a building expansion at Travelaire, the additional building purchased to accommodate Firan Technology Group in Scarborough and the purchase of the remaining 10% of Fernau Avionics.

Capital Resources – 2001 Compared to 2000

Current assets decreased in 2001 to $39,812,000 from $48,290,000 in 2000. The decrease was due mainly to the reduction in cash and cash equivalents of $6,039,000 used to pay down the working capital loan, a decrease in inventories at the Recreational Vehicles and Nav Aids Divisions and a decrease in income taxes recoverable. These were all partly offset by an increase in accounts receivable due to increased sales during the fourth quarter at the Recreational Vehicles and Nav Aids Divisions.

Current liabilities decreased to $25,178,000 in 2001 compared to $38,625,000 in 2000. This was due primarily to paying down the bank indebtedness from cash generated by operations, restructuring the Nav Aids debt and the income tax refund previously reported.

At year-end, the Corporation had $1,363,000 in bank indebtedness and a line of credit of $15,750,000 with a major Canadian bank. The Corporation's non-current portion of long-term debt is $6,950,000 of which $6,150,000 is payable at $1,900,000 annually. With this liquidity position the Corporation believes it has adequate financing for its future operating activities.

Glendale International Corp.'s Markets and Factors Affecting Future Results

Glendale International Corp., through its RV Division is a major supplier to the Canadian RV market and, although a small supplier to the U.S. market, further penetration of the U.S. market in 2001 has allowed the RV Division to come close to maintaining its total year over year sales volume against a general downturn in the market. This has been accomplished by product innovation, continued cost containment and a favourable Canadian versus U.S. dollar exchange rate.

Sales are also affected by the economic cycle, interest rates, consumer sentiment and oil prices. Although the timing of the economic recovery is difficult to forecast, the Corporation is cautiously optimistic that sales for 2002 can be maintained at or near 2001 levels. Statistical forecasts continue to show that, over the long-term, demographics favour the RV industry.

The Corporation, through its wholly owned subsidiary Fernau Avionics, is a major supplier of ground-based air navigational aids. This is a mature market, although it is expected to prevail for some years. Fernau is involved in engineering and development projects for satellite navigation and secondary radar equipment; products that in time could replace ground-based technology. Some of these projects are revenue generating, which allows Fernau to reduce its reliance on its own resources. Fernau's backlog at November 30, 2001 was approximately $18.0 million, the majority of which will be recognized as revenue in 2002, therefore management expects results to improve in 2002 over 2001.

A portion of Fernau's revenues and profits are recorded against long-term contracts on percentage of completion and milestones reached. The amounts are determined based on costs incurred to date compared to total costs, including costs to complete the remaining work. Estimates are regularly updated and revised if necessary. Profit reviews are conducted at regular intervals during the life of each project to monitor costs performance, and losses are provided for as known.

The Electronics Division, which is made up of the Firan Technology Group, includes Precision, Edgelit and Quantaflex. Precision's market depends largely on military spending and supplying high technology printed circuit boards to commercial customers. The military industry has seen decreased government spending and consolidation during recent years. However, with the current world situation government military spending is forecast to increase and there is a strong market for retrofit products. Precision is a sub-contractor in the military market and should continue to benefit from participating in this market. Edgelit's market depends largely on the growth in aircraft and helicopter manufacturing, as well as the level of spending on retrofitting and upgrading existing aircraft. The commercial aircraft manufacturing industry in which Edgelit participates has seen a downturn, which affected results in 2001. Edgelit is a prime contractor in this industry and is targeting military and other areas to replace this business. Electro-luminescent lamps are being developed by Quantaflex for commercial, aviation and military applications. This Division provided disappointing results in 2001, resulting in the decision to write off all the acquisition costs and the intangible assets. Early in 2002 Quantaflex was folded into Edgelit. Management believes that, if the development is successful, electro-luminescent lamp products will provide Edgelit with new products, and a technological edge in existing products within the market place.

General Risks and Uncertainties

The Corporation assumes foreign exchange risk in two areas. About 29% of sales originating in Canada are in U.S. dollars, and certain raw material components required for the Canadian manufacturing operations are purchased in U.S. dollars, resulting in a net expenditure in U.S. dollars. The operations of Fernau in the United Kingdom are carried out in Sterling GBP. Fernau also has sales in Euros and U.S. dollars, therefore, currency fluctuations impact operating results. Periodically, foreign exchange contracts are purchased to minimize the risk. The Corporation does not engage in a speculative hedging program.

The Corporation has an interest rate risk in that most of its debt is on a floating rate basis, therefore fluctuations in prime lending rates impact operating results. The Corporation does not have any interest rate hedging programs.

Certain statements in this Annual Report are "forward-looking statements" which reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the forward-looking statements contained in this Annual Report are based upon what management believes to be reasonable assumptions, the Corporation cannot assure readers that actual results will be consistent with these forward-looking statements.

Notes to the Consolidated Financial Statements

November 30, 2001 and 2000

1. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following significant accounting policies:

Basis of consolidation and statement presentation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Use of significant accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents comprise only highly liquid investments with original maturities of less than ninety days. Cash equivalents are carried at cost, which approximates market value.

Inventories

Finished goods and work-in-process inventories are valued at the lower of cost and net realizable value. Raw materials are valued at the lower of cost and replacement cost. Cost is determined substantially on the first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost, net of any government grants received and investment tax credits earned. Depreciation is computed using the straight-line method over the expected useful lives of the respective assets at the following annual rates:

Buildings	–	3% – 7%
Machinery and equipment	–	10% – 33%

Leases

Assets leased on terms that transfer substantially all of the benefits and risks of ownership to the Corporation are accounted for as capital leases, as though the asset had been purchased and a liability incurred. The capitalized value is depreciated on a straight-line basis over its expected useful life. Obligations under capital leases are reduced by rental payments net of imputed interest. The imputed interest is charged against income. All other leases are accounted for as operating leases with rental payments being expensed as incurred.

Earnings per common share

In the fourth quarter of 2001, the Corporation retroactively adopted the new recommendations of Handbook Section 3500, Earnings Per Share. Consequently, the prior year's earnings per share information have been restated. Under the new recommendations, basic and diluted earnings per share have been computed using the weighted-average number of common shares outstanding during each period. Diluted earnings per share amounts reflect the effect of potentially dilutive securities, including stock options, when dilutive, under the treasury stock method. Prior to the adoption of the new recommendations, diluted earnings per share was calculated by adjusting basic earnings per share for the effect of all dilutive securities outstanding and imputing interest income on cash proceeds derived from the exercise of such securities. The result of applying the new recommendations did not have a material impact on earnings per share. (see Note 10).

Stock option plan

The Corporation has a stock option plan which is described in Note 10. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

Income taxes

The Corporation accounts for income taxes in accordance with the liability method. The determination of future tax assets and liabilities is based on the differences between financial statement and income tax bases of assets and liabilities, using enacted tax rates in effect for the period in which the differences are expected to reverse. Future tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Goodwill

The excess of the cost over the net assets of businesses acquired was being amortized over a period not exceeding 40 years. Management assesses the carrying value of goodwill on a periodic basis for possible impairment. As a result of these assessments, a write down of the carrying value of goodwill was recorded at November 30, 2000 (see Note 3).

Revenue recognition

Revenue from the sale of manufactured products, other than long-term contracts, is recognized when the product is shipped to the customer.

Revenue and income on long-term contracts is recognized on a percentage of completion basis, determined by the costs incurred to date compared to the total costs including the costs to complete. Losses are fully provided for when identified. Progress billings as provided in the contracts are applied against accumulated contract costs included in inventory on the balance sheet. Revenue reported under the percentage of completion method accounted for approximately 2.5% of the Corporation's total revenue.

Translation of foreign currencies

Commencing in 2000, Fernau uses the temporal method for foreign exchange translation. Under the temporal method all monetary assets and liabilities are translated at the exchange rate in effect on the balance sheet date, non-monetary assets and liabilities are translated at the historical rate and revenue and expenses are translated at the average exchange rate for the year. Depreciation and amortization charges are translated at the same historical exchange rate as the related asset. Exchange gains or losses are recorded in net earnings for the period, except for those arising on long-term monetary assets and liabilities, which are deferred and amortized over the term of the related item. The balance of the cumulative translation adjustments arising before 2000 from the translation of prior periods will remain as a component of shareholders' equity.

Research and development

Research costs are charged to income as incurred. Development costs are charged against income in the year of expenditure unless the costs meet the criteria under generally accepted accounting principles for deferral. The Corporation has not deferred any development costs to date.

Employee future benefits

Effective November 1, 2000, the Corporation prospectively adopted the requirements of the new Canadian Institute of Chartered Accountants Handbook section 3461, "Employee Future Benefits" ("CICA 3461"). The new guidance in CICA 3461 requires the use of accrual accounting for all future employee benefits. The adoption of CICA 3461 did not have a material effect on the results of operations or financial position of the Corporation.

2. Acquisitions

i) In April 2000, the Corporation acquired the remaining 10% interest in Fernau for cash. The transaction was recorded using the purchase method of accounting. The original purchase agreement for Fernau provided for additional earn-out payments to be made based on the audited net earnings of Fernau for the years 1994 to 1997. The final payment was paid out in the fiscal year ended November 30, 2000.

ii) On January 26, 2001, Firan Technology Group Inc., a wholly owned subsidiary of the Corporation, acquired certain assets of Quantaflex Canada Inc., a company in the electro-luminescent lamp business located in Toronto, Ontario. The purchase agreements stipulated a $100,000 payment, which was paid on the purchase date, and payments of $100,000 annually for the next five years.

The purchase price allocation was as follows:

(in thousands of dollars)

Purchase price	$	659
Allocated to		
Inventories		66
Property, plant and equipment		17
Intangible assets		576
	$	659

3. Write-Down of Intangible Assets

i) On November 30, 2000, the Corporation determined that the unamortized balance of goodwill from the acquisition of Fernau had suffered a permanent decline due to operating losses. Management based the write-down on non-discounted future cash flows.

ii) On November 30, 2001, the Corporation determined that the unamortized balance of intangible assets from the acquisition of Quantaflex had suffered a permanent decline due to operating losses and less than anticipated value of the license agreement acquired. Management based the write-down on non-discounted future cash flows.

4. Discontinued Operations

(in thousands of dollars)

Graphico Precision ("Graphico")

In the fiscal year ended November 30, 1999, the Corporation had adopted a plan to exit the printed circuit board business. Consequently, the results of discontinued operations included a loss on operations of $1,000 net of taxes, for the fiscal year ended 1999 and an estimated loss on disposal of $1,000 net of taxes, based on letters of interest from potential purchasers. During the fiscal year ended November 30, 2000, Graphico's operations and future prospects improved significantly as a result of an improvement in the business environment for circuit board manufacturers and the identification of a new business opportunity. The offers received did not reflect Graphico's improved prospects and the Board of Directors concluded in the third quarter of 2000 that Graphico would be retained. Consequently, Graphico's 1999 and 2000 results have been reclassified as continuing operations and the estimated loss on sale of the Division recorded for the fiscal year ended November 30, 1999 of $1,000 net of income taxes, has been reversed and classified as discontinued operations for the fiscal year ended November 30, 2000.

Results of discontinued operations are as follows:

		2001		2000
Revenues	$	–	$	–
Recovery, net of income taxes		–		1,000
Net earnings from discontinued operations	$	–	$	1,000

5. Inventories

(in thousands of dollars)

	2001	2000
Finished goods and work-in-process	$ 4,197	$ 8,275
Raw materials	8,884	9,106
	$ 13,081	$ 17,381

6. Property, Plant and Equipment

(in thousands of dollars)

	2001	2000
Cost		
Land	$ 3,554	$ 3,316
Buildings	12,992	12,708
Machinery and equipment	22,735	21,985
Equipment under capital leases	243	151
	39,524	38,160
Accumulated depreciation		
Buildings	6,591	5,031
Machinery and equipment	17,088	16,270
Equipment under capital leases	25	48
	23,704	21,349
	$ 15,820	$ 16,811

Depreciation for the year ended November 30, 2001 totalled $2,798 (2000 – $2,651).

7. Bank Indebtedness

(in thousands of dollars)

Bank indebtedness of $3,532 to a Canadian chartered bank bears interest at prime plus one-half percent and is secured by a general security agreement, a first fixed and floating charge debenture of $25,000 on all of the Canadian assets of the Corporation and a guarantee by Fernau.

8. Long-Term Debt

(in thousands of dollars)

	2001	2000
(i) Term bank loan, interest at prime plus 1%, repayable at $250 per quarter and secured as described in Note 7	$ 3,550	$ 4,550
(ii) Term bank loan, interest at prime plus 1%, repayable at $67 per month and secured as described in Note 7	4,000	–
(iii) Demand debentures payable to shareholders, interest at 9% per annum with no fixed maturity date, secured by a specific charge on real property (not to be repaid until after November 30, 2005)	800	800
(iv) Promissory notes, interest free, repayable at $100 annually, to acquire certain assets of Quantaflex Canada Inc.	500	–
	8,850	5,350
Less amount due within one year	1,900	1,000
	$ 6,950	$ 4,350

Interest on long-term debt for the year ended November 30, 2001 was $333 (2000 – $419).

The annual amounts of principal payments required to meet long-term debt obligations are as follows:

2002	$ 1,900
2003	1,900
2004	1,900
2005	1,450
Thereafter	1,700
	$ 8,850

9. Capital Leases

(in thousands of dollars)

Payments under capital leases are as follows:

2002	$ 48
2003	55
2004	65
2005	25
2006	22
	215
Less: amount representing interest	12
	203
Less: principal obligation due within one year	48
	$ 155

Interest expense related to capital leases for the year ended November 30, 2001 was $7 (2000 – $43).

10. Share Capital

(in thousands of dollars)		2001	2000
Authorized			
170,600	preference shares issuable in series, non-voting, non-cumulative, redeemable and retractable at $25 each		
20,000,000	common shares		
Issued			
12,267,017	common shares	$ 21,489	$ 21,489

Stock Option Plan

Pursuant to the 1996 Stock Option Plan, the Board of Directors reserved a maximum of 300,000 shares. The option exercise price was established by the market price at the date of grant. The plan was amended in 2000, increasing the number of shares reserved to 500,000.

A summary of the status of the Corporation's stock option plan as at November 30, 2001 and 2000 and transactions during the years then ended is as follows:

	2001		2000	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	-	$ -	–	$ –
Granted	220,000	0.74	200,000	3.05
Cancelled	-	-	(200,000)	3.05
Outstanding, end of year	220,000	$ 0.74	–	$ –
Options exercisable, end of year	86,667	$ 0.87	–	$ –

A summary of the options issued and exercisable as at November 30, 2001 is as follows:

	Options Outstanding			Options Exercisable	
Exercise price	Number outstanding	Weighted average remaining	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.65	200,000	4.3 years	$0.65	66,667	$0.65
$1.60	20,000	4.5 years	$1.60	20,000	$1.60
	220,000	4.3 years	$0.74	86,667	$0.87

Earnings per share

(in thousands)

	2001	2000
Numerator for basic and diluted		
Net earnings per share:		
Earnings (Loss) available to common shareholders	$ 3,010	$ (4,842)
Denominator for basic earnings per share:		
Weighted average shares outstanding	12,267	12,267
Denominator for diluted earnings per share:		
Weighted average shares outstanding	12,267	12,267
Dilutive stock options	113	–
	12,380	12,267

11. Income Taxes

(in thousands of dollars)

The significant components of the future income tax assets and liabilities are as follows:

	2001	2000
Future income tax assets and liabilities		
Reserves	$ 561	$ 573
Net operating losses of U.K. subsidiary	4,117	4,315
	4,678	4,888
Valuation allowance	(4,117)	(4,315)
	561	573
Future income tax liabilities		
Depreciation and amortization	(6)	433
Other	3,150	3,150
	$ 3,144	$ 3,583

The provision for income taxes has been calculated as follows:

	2001	2000
Combined Canadian federal and provincial statutory rates	43.12%	44.62%
Provision for income taxes at statutory rates	$ 2,228	$ (2,330)
Increase (decrease) in income taxes resulting from:		
Manufacturing and processing deduction	(242)	(88)
Effect of foreign tax rate differences	(101)	(429)
Permanent differences including the amortization and write-down of intangible assets	408	2,343
Tax losses utililized	(198)	–
Benefit of tax losses not recognized	–	1,812
Expenses not previously deducted	–	(658)
Other	62	(30)
Income taxes on earnings from continuing operations	$ 2,157	$ 620

At November 30, 2001 the Corporation's U.K. subsidiary had operating losses carried forward of approximately $9,150,000 which can be used to reduce future taxable income in the U.K. indefinitely. No recognition has been given to the potential benefit of this item in the consolidated financial statements.

12. Segmented Information

(in thousands of dollars)

The Corporation has previously reported segmented information in two industry segments; Recreational Vehicles and Electronics. During the year 2001, it was decided to reclassify some elements of the segmented information as follows: Recreational Vehicles, Nav Aids (production of ground-based air navigational equipment in the UK), Electronics (production of electronic components in Scarborough) and Other (plastics components in Oakville).

The year 2000 has been restated accordingly.

Relevant information regarding the Corporation's activities in each segment is as follows:

	Operating Segments					
Industry	Recreational Vehicles	Nav Aids	Electronics	Other	Corporate Office	Total
2001						
Sales	$102,257	$ 18,486	$ 27,697	$ 2,770	$ –	$151,210
Costs and expenses	94,852	17,914	26,214	2,611	4,044	145,635
Operating earnings (loss)	7,405	572	1,483	159	(4,044)	5,575
Net interest expense	203	(498)	15	36	326	82
Write-down of intangible assets	–	–	(490)	–	–	(490)
Income taxes	–	–	–	–	(2,157)	(2,157)
Net earnings (loss)	7,608	74	1,008	195	(5,875)	3,010
Total and identifiable assets	20,748	10,199	15,975	1,162	7,548	55,632
Capital expenditures	382	160	1,616	62	42	2,262
Depreciation and amortization	475	321	1,789	92	207	2,884
2000						
Sales	$103,274	$ 15,110	$ 22,603	$ 3,608	$ –	$144,595
Costs and expenses	95,703	18,618	20,946	3,121	4,435	142,823
Operating earnings (loss)	7,571	(3,508)	1,657	487	(4,435)	1,772
Net interest expense	67	(519)	(191)	43	(170)	(770)
Write-down of intangible assets	–	–	–	–	(6,224)	(6,224)
Income taxes	–	–	–	–	(620)	(620)
Earnings (loss) from continuing operations	7,638	(4,027)	1,466	530	(11,449)	(5,842)
Net earnings from discontinued operations	–	–	1,000	–	–	1,000
Net earnings (loss)	7,638	(4,027)	2,466	530	(11,449)	(4,842)
Total and identifiable assets	22,958	11,620	15,338	1,463	13,722	65,101
Capital expenditures	1,330	213	2,439	98	421	4,501
Depreciation and amortization	480	414	1,488	95	416	2,893

Geographic Location	Canada	United Kingdom	Total
(in thousands of dollars)			
2001			
Sales	$ 132,724	$ 18,486	$ 151,210
Operating earnings	5,003	572	5,575
Identifiable assets	45,433	10,199	55,632
2000			
Sales	$ 129,485	$ 15,110	$ 144,595
Operating earnings (loss)	5,280	(3,508)	1,772
Identifiable assets	53,481	11,620	65,101

13. Employee Future Benefits

(in thousands of dollars)

A defined benefit pension plan is maintained for all unionized employees at a Division of the Corporation. The most recent actuarial valuation indicates that as of December 1, 2000, the plan had a surplus of $198 and the market value of the pension fund assets was $2,628. The Corporation has obtained an actuarial extrapolation of the plan as at November 30, 2001.

Information about the Corporation's pension plan as at November 30, 2001 is as follows:

Fair value of plan assets	$ 2,722
Accrued benefit obligation	2,648
Funded status – plan surplus	$ 74

The significant actuarial assumptions adopted in the measuring the Corporation's accrued benefit obligation are as follows:

Discount rate	7.0%
Expected long-term rate of return on plan assets	7.5%

Details of the changes in the fair value of plan assets for the year are as follows:

Fair value, beginning of year	$ 2,628
Actual return on plan assets	(9)
Employer contributions	51
Employee contributions	144
Benefits paid	(92)
Fair value, end of year	$ 2,722

Changes in the accrued benefit obligation for the year are as follows:

Balance, beginning of year	$ 2,430
Current service cost	146
Interest cost	164
Benefits paid	(92)
Balance, end of year	$ 2,648

The pension plan expense for the year is calculated as follows:

Current service cost	$ 146
Interest cost	164
Expected return on plan assets	(201)
Amortization of transitional asset	(13)
	$ 96

14. Contingencies

i) Customary practice for companies in the recreational vehicle industry is to enter into repurchase agreements with financing institutions to provide financing to their independent dealers. Generally, the agreements provide for repurchase of products from the financing institution in the event of dealers' default. Losses under these agreements have been insignificant in past years, and the Corporation's exposure to such losses is limited by the resale value of the products required to be repurchased. The Corporation is also involved in several legal disputes regarding warranty claims and sundry claims. Management expects that losses incurred as a result of the repurchase agreements or warranty and sundry claims, if any, would not be significant, although estimates cannot be made at this time.

ii) In order to sell its ground-based air navigation products, as is customary in the industry, the Corporation's wholly owned subsidiary Fernau Avionics frequently provides bonds to various international governments and agencies to ensure contracts are completed. The Corporation has provided a guarantee to the financial institution that issues these bonds. The amount outstanding at November 30, 2001 was approximately $4,845,451 (2000 - $2,000,000).

iii) Pursuant to the sale of its subsidiary Denro on February 26, 1999, various purchase price disputes arising between the parties were resolved by an arbitrator in his report dated September 28, 2000. On October 31, 2000, the purchaser advised the Corporation of a new claim for damages of US$20 million arising from the purchase. In accordance with the terms of the purchase agreement the Purchaser has advised the Corporation that they have referred the matter to further arbitration. Management disputes the purchaser's allegations and strongly believes that the Corporation's position will be upheld. However the eventual outcome and costs of settlement, if any, cannot be determined with any certainty at this time. Payments pertaining to a future settlement, if any, in excess of the remaining accrual would be recorded in the year when the matter is finally resolved.

15. Consolidated Schedule of Changes in Non-Cash Operating Items

(in thousands of dollars)

	2001	2000
Accounts receivable	$ (3,716)	$ 3,555
Inventories	4,300	(1,397)
Deposits and prepaid expenses	1	(134)
Accounts payable and accrued liabilities	2,422	(12,639)
Income taxes	2,046	(1,961)
	$ 5,053	$ (12,576)

16. Financial Instruments

Foreign exchange risk

Foreign exchange risk is the risk that changes in exchange rates will affect the Corporation's operating results. The Corporation has a foreign exchange risk with respect to expenditures (net) in Sterling GBP, Euros and United States dollars. The Corporation periodically enters into foreign exchange contracts to minimize this risk.

Credit risk

Credit risk arises due to the concentration of accounts receivable in one geographic area or with certain customers. This risk is minimized by the pre-shipment approval of financing in the Recreational Vehicles business. In the Nav Aids and Electronics business, most customers are government agencies or large multinational Corporations.

Interest rate risk

Interest rate risk is the risk that movement in interest rates will affect the Corporation's operations. The Corporation is exposed to fluctuations in interest rates since most debt is at floating rates and generally related to the Canadian prime rate.

Fair value of financial instruments

Current assets and current liabilities are valued at their carrying amounts on the balance sheet due to their short-term maturity.

The estimated market value of long-term debt approximates the carrying amounts since the interest rates thereon are floating and are tied to the Canadian prime rate.

Five-Year Historical Financial Summary

For the years ended November 30, 1997 to 2001 (in thousands of dollars)

	2001	2000	1999*	1998*	1997*
Sales					
Recreational Vehicles	$ 102,257	$ 103,274	$ 121,275	$ 118,067	$ 102,517
Nav Aids	18,486	15,110	18,483	19,248	16,774
Electronics	27,697	22,603	14,366	14,991	12,789
Other	2,770	3,608	3,069	2,835	3,341
Total Sales	151,210	144,595	157,193	155,141	135,421
Operating Earnings (loss)					
Recreational Vehicles	7,405	7,571	11,695	10,770	8,391
Nav Aids	572	(3,508)	794	1,667	(4,459)
Electronics	1,483	1,657	(489)	756	(572)
Other	159	487	317	(10)	206
Net Earnings (loss)	3,010	(4,842)	33,031	3,773	(6,416)
Financial Condition					
Working Capital	14,634	9,665	12,342	10,037	14,379
Current Ratio	1.6	1.2	1.2	1.1	1.2
Total Assets	55,632	65,101	85,809	109,606	100,895
Net Fixed Assets	15,820	16,811	15,011	14,597	12,973
Long-term Debt (including Current Portion)	8,850	5,350	5,350	16,350	17,350
Shareholders' Equity	20,205	18,422	24,797	24,359	20,557
Return on Shareholders' Equity	14.9%	(26.3%)	133.2%	15.5%	(31.2%)
Per Common Share Data ($)					
Net Earnings (loss)	0.24	(0.39)	2.69	0.31	(0.54)
Cash Dividends	0.10	0.25	2.50	0.00	0.00
Book Value	1.65	1.50	2.02	2.03	1.71

* Denro is excluded from Sales and Operating Earnings in 1999, 1998 and 1997. Working Capital and Current Ratio calculations are affected by the inclusion of discontinued assets and liabilities of Denro

Investor and Corporate Information

Investor Information

Incorporation
Glendale International Corp. was amalgamated under the laws of the Province of Ontario by Articles of Amalgamation dated December 1, 1993.

Capital Stock
The Corporation is authorized to issue 20,000,000 common shares without par value. At November 30, 2001 there were 12,267,017 shares issued and outstanding.

Dividends
In 1999, the Corporation reinstituted a policy of paying a cash dividend to common shareholders. Dividends paid in 2001 were $.010 per common share.

Trading
The following table sets out the high, low and closing prices, and the volumes of shares traded on the Toronto Stock Exchange for the 12 months ending December 31.

Year	High	Low	Close	Volume
1997	$4.95	$2.85	$3.95	2,017,416
1998	$5.60	$3.00	$5.20	1,678,022
1999	$7.50	$3.00	$3.05	3,413,952
2000	$4.50	$0.50	$0.91	2,344,397
2001	$3.05	$0.60	$2.95	1,944,900

Major Shareholder
As of November 30, 2001, D. M. Firestone, Chairman, holds or controls approximately 46.9% of the issued and outstanding common shares.

Annual and Quarterly Reports
Additional copies of the annual and quarterly reports may be obtained by contacting Investor Relations, Glendale International Corp., 353 Iroquois Shore Road, Oakville, Ontario, Canada L6H 1M3. (905) 844-2870 or visit us at www.glendaleint.com.

Corporate Information

Board of Directors

D. Morgan Firestone
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Glendale International Corp.

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Retired Executive

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M.D., F.R.C.P.
Physician in Chief
Parkwood Hospital

Edward C. Hanna
President and Chief Executive Officer
Glendale International Corp.

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Vice President, Chief Financial Officer and Secretary
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D. Morgan Firestone
Chairman of the Board

Edward C. Hanna
President and Chief Executive Officer

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Vice President, Chief Financial Officer and Secretary

Philip L. Szabo
Vice President Finance

Registrar and Transfer Agent
Computershare Trust Company of Canada
Toronto, Ontario

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Glendale International Corp.
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L6H 1M3
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Fax: (905) 844-2907

Auditors
Deloitte & Touche LLP
Toronto, Ontario

Stock Exchange
the Toronto Stock Exchange
(Symbol: GIN)

Annual Meeting
The 2001 Annual Meeting of Shareholders will be held on Thursday, May 16, 2002 at 4:30 p.m. at the Auditorium, the Toronto Stock Exchange, Exchange Tower, 130 King Street West, Toronto, Ontario.

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GLENDALE
International Corp.